

**CITY OF MORGAN HILL
JOINT SPECIAL AND REGULAR CITY COUNCIL
AND SPECIAL REDEVELOPMENT AGENCY MEETING
MINUTES – SEPTEMBER 15, 2004**

CALL TO ORDER

Mayor/Chairman Kennedy called the special meeting to order at 6:01 p.m.

ROLL CALL ATTENDANCE

Present: Council/Agency Members Carr, Tate and Mayor/Chairman Kennedy
Late: Mayor Pro Tempore/Vice-chair Sellers (arrived at 6:30 p.m.) and Council/Agency Member Chang (arrived at 7:08 p.m.)

DECLARATION OF POSTING OF AGENDA

City Clerk/Agency Secretary Torrez certified that the meeting's agenda was duly noticed and posted in accordance with Government Code 54954.2.

City Council and Redevelopment Agency Action

CLOSED SESSIONS:

Mayor/Chairman Kennedy announced the following closed session items:

1.

CONFERENCE WITH LEGAL COUNSEL - ANTICIPATED LITIGATION

Authority: Government Code Sections 54956.9(b) & (c)
Number of Potential Cases: 4

2.

PUBLIC EMPLOYEE PERFORMANCE EVALUATION

Authority: Government Code 54957
Public Employee Performance Evaluation: City Manager
Attendees: City Council

3.

CONFERENCE WITH LEGAL COUNSEL - EXISTING LITIGATION:

Authority: Pursuant to Government Code 54956.9(a)
Case Name: General Lighting Service, Inc. v. City of Morgan Hill
Case Number: Santa Clara County Superior Court, Case No. 1-04-CV-025561

4.

PUBLIC EMPLOYEE PERFORMANCE EVALUATION

Legal Authority: Government Code 54957
Public Employee Performance Evaluation: City Attorney
Attendees: City Council, City Attorney

Council/Agency Member Chang was not present during closed session discussions.

OPPORTUNITY FOR PUBLIC COMMENT

Mayor/Chairman Kennedy opened the Closed Session items to public comment. No comments were offered.

ADJOURN TO CLOSED SESSION

Mayor/Chairman Kennedy adjourned the meeting to Closed Session at 6:03 p.m.

RECONVENE

Mayor/Chairman Kennedy reconvened the meeting at 7:07 p.m.

Council/Agency Member Chang entered and took her seat on the Dias.

CLOSED SESSION ANNOUNCEMENT

Mayor/Chairman Kennedy announced that the closed session items were continued to the conclusion of the open session meeting.

SILENT INVOCATION

PLEDGE OF ALLEGIANCE

PROCLAMATIONS

Mayor Kennedy presented a proclamation to Nathalie Averett, National Society of the Daughters of the American Revolution, declaring the week of September 17-23, 2004 as *Constitution Week*.

RECOGNITIONS

Programs Administrator Eulo and Mayor Kennedy distributed Certificates of Recognition to honor the following Water Heroes: Jody Barcellos, Comcast Cable; Connie Ibost, Anritsu Corporation; Peter McKenna, Morgan Hill Unified School District; Intercon Technology; Alien Technology; South Valley Developers, and Cochrane Plaza.

CITY COUNCIL REPORT

Mayor Pro Tempore Sellers reported on the following: 1) The Downtown Association is very active following receipt of seed money from the City toward becoming an independent organization. One of the productive ways to become independent is to start a Property Based Improvement District (PBID). This will allow businesses in the community to fund themselves and provide resources for their own benefit, determining how to best use these funds. At the last Council meeting, the Downtown Association requested that the City help with the money required to undertake this process. He

indicated that this is an involved process and involves two different votes, surveys and background work to figure out how much individuals should be assessed. He indicated that the Downtown Association met this morning and that it is well underway toward the PBID process. 2) He indicated that an election will be held on November 2, 2004. He felt that individuals involved in the election process have a duty to uphold the highest standard. He stated that he and Mayor Kennedy are determined to have a code of conduct and to conduct themselves in a way that is exemplary. He urged all Council and School Board candidates to do the same. He felt that how an individual campaigns is a good indication of how one will govern and serve.

Council Member Chang announced that the South County Wastewater Regional Authority (SCWRA) Board received its river discharge permit last Friday following a 20-year effort.

CITY MANAGER REPORT

City Manager Tewes indicated that at the last meeting, the Council received a report from the Legislative Subcommittee who indicated that they would be reviewing all state propositions. The Legislative Subcommittee recommended that the City begin an analysis of Proposition 1A, the proposition that will provide constitutional protection for local City revenues so that the revenues can be applied to local services rather than being diverted to the State. He informed the Council that the Finance & Audit Committee will be reviewing Proposition 1A at their upcoming meeting.

CITY ATTORNEY REPORT

Acting City Attorney McClure stated that he did not have a City Attorney's report to present this evening.

OTHER REPORTS

None.

PUBLIC COMMENT

Mayor/Chairman Kennedy opened the floor to public comments for items not appearing on this evening's agenda.

A Live Oak High School student requested clarification on the comment expressed by Council Member Chang.

Mayor Kennedy explained that the City shares a wastewater treatment plant with the City of Gilroy and that the facility is located in Gilroy. The treated wastewater is disposed by percolation. However, in the winter time, when it rains a lot, the percolation ponds fill up. SCRWA applied for a permit in order to discharge tertiary treated water into the Llagas Creek and Pajaro River. He indicated that SCRWA was successful in getting the permit approved; allowing the highly treated, purified water to be released into the Pajaro River.

No further comments were offered.

City Council Action

CONSENT CALENDAR:

Mayor Pro Tempore Sellers requested that item 2 be removed from the consent calendar to ask a question and Council/Agency Member Chang requested that item 12 be removed from the Consent Calendar as she would be abstaining from voting on the minutes as she was not in attendance of the meetings held on September 1, 2004.

Action: *On a motion by Mayor Pro Tempore Sellers and seconded by Council Member Tate, the City Council unanimously (5-0) **Approved** Consent Calendar Items 1, 3-11 and 13 as follows:*

1. **AGREEMENT WITH THE LAW FIRM OF HATCH & PARENT**

Action: **Authorized** the City Manager to Execute an Agreement with the Law Firm of Hatch & Parent.

3. **AMENDMENT TO AGREEMENT WITH SANTA CLARA VALLEY WATER DISTRICT REGARDING THE OPERATION OF THE TENNANT WELL PERCHLORATE REMOVAL SYSTEM**

Action: **Authorized** the City Manager to Execute an Amendment to the Existing Agreement with Santa Clara Valley Water District for the Operation of Tennant Well, Subject to Review and Approval by the City Attorney.

4. **APPROVAL OF IMPROVEMENT AGREEMENT FOR 18585 MONTEREY ROAD – GATEWAY CENTER, PHASE 2 (APN: 764-10-009)**

Action: **Approved** the Improvement Agreement with South Valley Developers, Inc. and 2) **Authorized** the City Manager to Sign the Agreement on Behalf of the City.

5. **ACCEPTANCE OF SUBDIVISION IMPROVEMENTS FOR TRACT 8791, DEL MONTE ESTATES**

Action: 1) **Adopted** Resolution No. 5841, Accepting the Subdivision Improvements Included in Tract 8791, Commonly Known as Del Monte Estates; and 2) **Directed** the City Clerk to File a Notice of Completion with the County Recorder's Office.

6. **ACCEPTANCE OF SUBDIVISION IMPROVEMENTS FOR QUAIL CREEK PHASE I (TRACT 9427)**

Action: 1) **Adopted** Resolution No. 5842, Accepting the Subdivision Improvements Included in Tract 9427, Commonly Known as Quail Creek, Phase I; and 2) **Directed** the City Clerk to File a Notice of Completion with the County Recorder's Office.

7. **FINAL MAP APPROVAL FOR QUAIL CREEK, PHASE III (TRACT 9561)**
***Action:** 1) Approved the Final Map, Subdivision Agreement, and Improvement Plans; 2) Authorized the City Manager to Sign the Subdivision Improvement Agreement on Behalf of the City; and 3) Authorized the Recordation of the Map and the Subdivision Improvement Agreement Following Recordation of the Development Improvement Agreement.*
8. **AMENDED IMPROVEMENT AGREEMENT FOR 1295 EAST DUNNE AVENUE (APN 728-17-023)**
***Action:** 1) Approved the Amended Improvement Agreement with Mr. and Mrs. Waiyan and Tsai-pi Ho; and 2) Authorized the City Manager to Sign the Agreement on Behalf of the City.*
9. **RESOLUTION REQUESTING AUTHORIZATION UNDER SECTION 21221(h) OF CALIFORNIA CODE FROM PUBLIC EMPLOYEES RETIREMENT SYSTEM (CalPERS) FOR BRUCE CUMMING TO BE EMPLOYED FOR MORE THAN 960 HOURS IN A ONE-YEAR PERIOD**
***Action:** Approved Resolution No. 5843, Requesting CalPERS for an Extension for Interim Police Chief Bruce Cumming to be Employed for more than 960 Hours in a One-Year Period.*
10. **ADOPT ORDINANCE NO. 1694, NEW SERIES**
Action:** Waived the Reading, and Adopted Ordinance No. 1694, New Series, and Declared That Said Title, Which Appears on the Public Agenda, Shall be Determined to Have Been Read by Title and Further Reading Waived; Title as Follows: **AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF MORGAN HILL APPROVING AN AMENDMENT TO ORDINANCE NO. 1474, New Series, AMENDING THE LIST OF PERMITTED USES FOR DIGITAL ISLAND OF THE MORGAN HILL RANCH BUSINESS PARK TO ALLOW GENERAL OFFICE USES AND UP TO 40,000 SQUARE FEET OF MEDICAL/DENTAL OFFICE USES (APNs 726-25-080 thru -082) (ZA-04-07: DIGITAL – VENTURE PROFESSIONAL CENTER).
11. **SPECIAL CITY COUNCIL MEETING MINUTES FOR AUGUST 11, 2004**
***Action:** Approved the Minutes as Written.*
13. **APPOINTMENTS TO THE SANTA CLARA VALLEY TRANSPORTATION AUTHORITY (VTA) VALLEY TRANSPORTATION PLAN DESIGN ENHANCEMENTS (VTP DE) COMMITTEE**
***Action:** 1) Appointed Planning Commissioner Robert Benich, and Architectural Review Board Members James Fruit and Yarmila Kennett to the VTP DE Committee; and 2) Directed the City Clerk's Office to Notify the VTA of the City Council's Appointments to this Committee.*
2. **INFORMATION TECHNOLOGY SERVICES CONTRACT**

Mayor Pro Tempore Sellers noted that the City is in the process of contracting with a new vendor to provide information technology services (e.g., computer services and support). He said that one of the

items contained in the contract states an interest of having this be a long term contract with a 2-3 year extension. He said that the reason for doing so is that once you bring someone on board, they gain institutional knowledge and you want to keep them on board because they know the City's system. As the City is changing vendors at this time, he suggested that staff discuss a way to overlap the institutional knowledge in the transition with the previous vendor.

Programs Manager Eulo agreed that there is a loss of institutional memory whenever you have a change similar to this or a change in staffing in an organization. He said that in order to counteract the loss and minimize the amount of institutional knowledge that would be lost, the City will employ two strategies: 1) staff for the new contractor will be on site with the staff of the existing contractor for approximately 1.5 weeks; and 2) the new contractor is able to engage the services of the former contractor on a fee for service basis when an onsite assistance is needed.

Action: *On a motion by Mayor Pro Tempore Sellers and seconded by Council Member Tate, the City Council unanimously (5-0) **Authorized** the City Manager to Execute the Agreement, Subject to Review and Approval by the City Attorney.*

12. SPECIAL CITY COUNCIL MEETING MINUTES FOR SEPTEMBER 1, 2004

Action: *On a motion by Council Member Tate and seconded by Mayor Pro Tempore Sellers, the City Council, on a 4-0-1 vote with Council Member Chang abstaining, **Approved** the Minutes as Written.*

City Council and Redevelopment Agency Action

CONSENT CALENDAR:

Council/Agency Member Chang requested that item 14 be removed from the Consent Calendar as she would be abstaining from voting on the item.

14. SPECIAL AND REGULAR CITY COUNCIL AND SPECIAL REDEVELOPMENT AGENCY MEETING MINUTES FOR SEPTEMBER 1, 2004.

Action: *On a motion by Council/Agency Member Tate and seconded by Mayor Pro Tempore/Vice-chair Sellers, the City Council/Agency Board, on a 4-0-1 vote with Council/Agency Member Chang abstaining, **Approved** the Minutes as Written.*

City Council Action

PUBLIC HEARINGS:

15. STREET NAME CHANGE: SAINT LOUISE DRIVE TO DePAUL DRIVE – Resolution No. 5844

Planning Manager Rowe presented the staff report, informing the Council that staff provided notification to all of the property owners affected by the street name. He indicated that as of this evening, staff has not received objections to the street name change. Staff concurs with the name change from St. Louise Drive to DePaul Drive as it would eliminate the confusion associated with the same name of the medical facility at another location. Further, the street name change is consistent with the street name policy, that of a mission theme.

Mayor Kennedy opened the public hearing. No comments being offered, the public hearing was closed.

Action: *On a motion by Council Member Tate and seconded by Council Member Carr, the City Council unanimously (5-0) **Adopted** Resolution No. 5844, Approving the Street Name Change.*

16. GENERAL PLAN AMENDMENT, GPA-04-05/ZONING AMENDMENT, ZA-04-11: COCHRANE-TBI Ordinance No. 1695, New Series & Resolution No. 5845

Planning Manager Rowe presented the staff report, indicating that this is a request to change the general plan land use designation from industrial to commercial and to rezone the property to planned unit development. He stated that the proposed planned unit development includes a variety of commercial uses, including but not limited to a grocery store, drug store, retail uses, restaurants and offices. He said that the Planning Commission reviewed the applications on two occasions in August, addressing the traffic mitigation and the list of uses. The Planning Commission discussed the fact that the proposed amendment would reduce the amount of industrial land in the City. However, the benefit from going to the commercial designation would be to incorporate some business uses that would help serve the surrounding business parks and the community, as a whole, including sales tax revenue to the city. He informed the Council that staff recommended that the PUD be limited to uses supportive of the industrial park that would exclude a grocery store and drugstore. Staff further recommended that the medical, dental, and health related services be excluded from the permitted uses; and that daycare, nursery schools and commercial uses be required as conditional uses. He stated that General Plan Policy 9G, the action statement, indicates that the City should amend the zoning ordinance, as necessary, to preserve a site east of Highway 101 and north of Cochrane Road for a grocery store. He stated that restricting a grocery and drug store in this location would be more consistent with the general plan. If such uses were located in this area, it would tend to make it difficult to locate the uses on the east side of the Freeway. He indicated that the City currently has an application in the process that would implement the action item to accommodate a site for a grocery store east of Highway 101.

Mr. Rowe informed the Council that the applicant is requesting that the exclusion only pertain to medical, dental and/or health related offices as opposed to services. He indicated that the Planning Commission still feels that these types of uses can be considered on a case-by-case basis as part of a conditional use. The applicant is also requesting to include drugstores, wine tasting, and arts & crafts galleries. Under conditional uses, the applicant is requesting to include service stations, including ancillary convenience stores, and to allow grocery stores exceeding 15,000 square feet as conditional uses.

Mr. Rowe informed the Council that the recommended uses are those that he outlined previously. Staff recommends approval of the mitigated negative declaration, the general plan amendment resolution and introduction of the ordinance that would list the permitted uses as outlined in Exhibit B to the zoning amendment ordinance.

Mayor Kennedy opened the public hearing.

Dan Amend, vice-president of Toeniskoetter and Breeding, Inc. (TBI), pointed out that he worked through the traffic impact of this property at the Planning Commission level. He indicated that the project itself does not create any traffic impacts that would need to be mitigated. However, the General Plan 2025 level of impacts requires some right of ways that TBI will be giving to the City as a part of the project. He requested that the Council approve TBI's request with the use revision as submitted.

Brad Krouskup, TBI, stated that in May 1997, working with the Madrone Land Corporation, approached the owners of the San Jose Trap and Skeet Club with an idea on how to transform the northern side of Cochrane Road and Highway 101. He stated that TBI is proud of the transformation that has taken place, bringing in some successful businesses into town. TBI has a successful project that still is in the works and that they want to continue to be a great neighbor in Morgan Hill. TBI believes that there is an opportunity to create a retail site in the front of the park that can be highly successful. When the park was first envisioned, there was approximately four acres of general commercial retail that fronted Monterey Road. TBI did not believe that this was an important place for retail for the Madrone Business Park and the greater Cochrane Road area. He stated that when TBI had the opportunity to change the zoning designation, they did so in order to bring Paramit Corporation to Morgan Hill.

Mr. Krouskup informed the Council that TBI always envisioned the need for a retail component in the Business Park. He stated that what TBI is proposing can co-exist with other retail that is being proposed for Cochrane Road. He indicated that TBI is aware of the application that is being processed and that TBI wants this project to be a great success. He said that TBI believes that there are three markets that need to be served. He appreciated staff's support of the project as a retail project and the Planning Commission's suggestions. It was his belief that this retail site has a great opportunity to serve the business community along Cochrane Road. He stated that many times, TBI has heard from the corporate users in the Madrone Business Park and the Cochrane Business Ranch that there is a need for additional services in the area during the business day. It is felt that this market can be served by this project. It was also felt that the installation of Madrone Parkway in the Madrone Business Park assessment district was a good thing. TBI believes that it can capitalize on commuters in the area and generate revenue/tax dollars from those using Morgan Hill roads to get through town. The third market is the growing residential population at the north end of Morgan Hill. Therefore, there are three market populations that need to be served and TBI wants the opportunity and flexibility to address each one of these markets.

Mr. Krouskup requested modifications to the PUD uses. He requested that the first item list retail stores. He said that TBI envisions the PUD to be in place for a long period of time. As recommended, he believes that it is confusing and may not address the growing residential population important to a project like this. He concurred with the restaurant designation. He requested the elimination of "health

related services” and replaces it with “health related office uses.” He clarified that TBI does not want to construct a medical/dental office building at this location. He noted that the Planning Commission is recommending specialty grocery stores not exceeding 15,000 square feet. He informed the Council that he has had several discussions about this issue over the last several days. He stated that there is an opportunity to have a grocery store on Cochrane Road. He indicated that he has been in close contact with the DiNapoli application being processed on the east side of the Highway. It was agreed that the limitation as a permitted use is acceptable to TBI and DiNapoli as it provides TBI with the flexibility needed to market the project. TBI does not believe that it undermines the intent of a sub regional center to have a major supermarket on the east side of the freeway. He indicated that TBI is proposing this as a conditional use. In talking to John DiNapoli, he indicates that they want to focus on getting a large supermarket on the east side of the highway. However, if this does not come to fruition, he felt that TBI should have the opportunity to try to bring a supermarket to Cochrane Road at some point in time. He clarified that TBI is not talking about a Costco or large supermarket concept, but of a personalized regional/family oriented specialty market, as the site cannot accommodate large supermarkets. TBI believes that a drugstore could be an important component and a great service to the businesses, commute clientele and the residential population. He noted that TBI is proposing wine tasting and arts and crafts galleries (e.g., Michael’s) as permitted uses. Under conditional uses, he requested that the Council approve gasoline service stations with ancillary convenience store and grocery stores exceeding 15,000 square feet.

Council Member Chang disclosed that she spoke with John DiNapoli yesterday who indicated that he is having a problem with a grocery store over 15,000 square feet on the TBI site. She inquired whether Mr. Krouskup and Mr. DiNapoli reached an agreement regarding this concern.

Mr. Krouskup indicated that he spoke with Mr. DiNapoli several times and that as late as this afternoon, they discussed this issue thoroughly. He said that it was his belief that Mr. DiNapoli understood TBI’s proposal. He indicated that Mr. DiNapoli agrees to a grocery store over 15,000 square feet as long as it is a conditional use where the City could review the proposal. He said that TBI would like the center to be anchored in a small way. He said that the project, as laid out, stipulates approximately 72,000-75,000 square feet of retail. TBI would like to anchor this with a use in the neighborhood of 25,000-45,000 square feet. He felt that this is an anchored center and does not consider this as a strip center as he envisions that it will include a pad or two on Cochrane Road with sit down restaurants. Therefore, he considers this to be a small shopping center.

Council Member Carr felt that banks were part of the financial services. In talking about arts & crafts/galleries, he stated that he understood the distinction between a Michael’s and a retail use rather than an art gallery. He felt some of the uses proposed would be better suited for the downtown. He wanted to make sure that what is approved would not be in competition with the downtown.

Mr. Krouskup stated that the intent of the PUD center is to serve the three users he previously addressed. He felt that the uses would be different from the uses found in the downtown. He noted that this would not be a walking center as individuals would be driving to the center. They would be traveling toward a convenience destination and depending on the size of the anchor tenant; a citizen may have a destination. He stated that in large part, the center would be serving the cars already in the traffic

pattern, a different purpose from the downtown as individuals going to the downtown have a specific purpose, walking 2-4 destinations and possibly dinner. He indicated that he has heard the comment that the wine tasting might be better suited for the downtown. He stated that wine tasting is not a major component of the PUD. He said that the wine tasting came in as part of a small specialty grocery use of approximately 8,000-10,000 square feet with a wine tasting barn. If this is a use that the City believes would compete with the downtown, he could eliminate this use. Regarding the arts & craft galleries, he indicated that it is proposed to have the “Michael’s” type of retailer; as a result from the fact that 2.5 years ago, Thomas Kinkade indicated that he would like to have a gallery/museum on this site. He felt that this may be a viable option and that it would be good for the City and the project if this use evolves.

Mayor Pro Tempore Sellers said that whether or not the use is specifically listed, he did not believe that it would preclude a Michael’s or a gallery retail store. He did not believe that the use constitutes a separate designation.

Mr. Krouskup stated that the verbiage of arts & crafts galleries and wine tasting comes out of the general commercial zoning district as outlined in the City’s zoning ordinance.

Council Member Tate said that in his meeting with Mr. Krouskup, it was his understanding that the PUD would target customized markets of the size of 30,000-40,000 square feet range. He indicated that Mr. Krouskup has stated that he does not want to go after a supermarket of 50,000+ square feet. He inquired whether there was a better way to specify the intent of having a conditional use of exceeding 15,000 square feet, but less than 50,000 square feet.

Mr. Krouskup stated that he would agree to the stipulation of not recruiting a supermarket of a size greater than 50,000 square feet. He said that the PUD needs to co-exist with the DiNapoli application. He felt that he has expressed his views of what is being sought as part of the PUD and that if this helps to define it better, he would support the intent.

Council Member Chang noted that the City has repeated drugstore uses in Walgreen, Rite Aide, and Longs Drugstores. She inquired what type of drugstore is being proposed and whether it would split the sales taxes versus creating a new sales tax or new business.

Mr. Krouskup responded that he does not have the answer to Council Member Chang’s question at this time. He felt that there was a fairly large population growing that is not being served by a drugstore use and that there will be a need for another drugstore with a pharmacist north of Dunne Avenue. He acknowledged that there were stores such as Target that sell medication and vitamins. He said that he carefully reviewed the grocery store issue. In his meeting with Mr. DiNapoli, they specifically discussed a drugstore. He indicated that Mr. DiNapoli did not have a problem with having a drugstore as a permitted use associated with this project. He did not know if Mr. DiNapoli will have a drugstore in his development. He said that his project will lend itself to the smaller end of the spectrum but felt that the market dictates whether there is a need for a drugstore on Cochrane Road. He felt that the users that will go on the east side of the freeway versus what will be associated with a 72,000 – 75,000 square foot center being proposed will be different. He would like the market to dictate what will be needed.

No further comments being offered, the public hearing was closed.

Mayor Kennedy stated his support of the proposed changes. He indicated that he met with Mr. Krouskup and felt that the City was losing a lot of its business customers in the Cochrane Road area. He guesstimated that there are 5,000-15,000 employees that work in the Morgan Hill Ranch and the Madrone area. He envisions these individuals getting into their cars and driving home. If they have an opportunity to stop at the drugstore or to patronize other services that cater to their needs, this is a market that the City could capture that would help the City's sales tax base and help to provide services to individuals that work at the Morgan Hill Ranch and the Madrone Business Park.

Mayor Pro Tempore Sellers said that in his discussion with TBI and the Cochrane/Highway 101 project, there is a concern that the City has two successful projects. He was encouraged and pleased to hear that discussions took place between the two developers and that they were fruitful. He said that the success of these projects will be the designated uses, complimentary uses and timing. It was his belief that the Cochrane/Highway 101 will have a couple of months lead in terms of its ability to market. Therefore, the City will have an opportunity to see what might be attracted to that site. He felt that both projects would capture those who would bypass the City because their needs are not being met in this area of town. Regarding the drugstore issue, he felt that the market will have a final say on the use. The question will be whether the individuals who reside in the northern part of town will use this drugstore as opposed to going into San Jose or somewhere outside of the City. It was his hope that the build up medical services in the area would support a drugstore as well. He said that he was not pleased to see the prospect of a drugstore at the top of the list but that he supported seeing the use listed under the permitted uses as the market will dictate appropriate uses. He felt that the wine tasting would be ancillary to the drugstore and that an arts & crafts gallery should be defined as a retail use. He did not know if it was important to call these out as specific uses. He stated that this is for clarification purposes and to make a statement that the City is trying to recruit specialized boutique retailers in the downtown. He would support not listing these uses as long as it does not narrow Mr. Krouskup's ability to go out into the market.

Planning Manager Rowe said that in the context in which Mr. Krouskup is proposing the wine tasting as an extension of a retail use, it would be acceptable not to list the use. He confirmed that the two uses under discussion were pulled out of the Highway Commercial zoning district as stand alone uses. This was the kind of tasting room that was envisioned in the zoning district. The same would apply to the arts & crafts use as an opportunity to display and sell items geared toward tourist uses. If the use is more like a Michael's, this use would be covered under the retail uses.

Council Member Carr referred to the Planning Commission minutes, indicating that he could not find the reason why the Commission added the phrase "supportive of the neighboring industrial parks."

Planning Manager Rowe stated that when staff first had discussions with Mr. Krouskup, he was trying to determine whether there would be support, at a staff level, to apply for a general plan amendment. Mr. Krouskup talked about incorporating commercial uses that were supportive of the surrounding business parks. It was staff's belief that this was a good thing because the Morgan Hill Ranch Business Park had a category entitled "non manufacturing business." This category extended all along the south side of

Cochrane Road from Sutter Boulevard to Monterey Road. He informed the Council that this category was removed from this PUD approximately five years ago. Therefore, this was an opportunity to reestablish a commercial area that would be able to have office supply stores and financial institutions that would serve businesses. This was the basis for staff's support of the application. It was his belief that the Commission concurred that the site should focus on these types of uses and not compete with the community serving commercial uses that would be located on the east side of Highway 101 as the general plan policy addresses this issue.

City Manager Tewes clarified that this language was not added by the Planning Commission but that it was an initial staff recommendation and that the Planning Commission concurred with the recommended language.

Council Member Tate addressed the wine tasting and the arts & crafts gallery. What he understands from the discussion is that if these are proposed as a specialty or boutique-type of operation, there is concern about the impacts to the downtown. However, if these uses are ancillary retail uses, they would be accepted. He recommended that the Council support Mayor Pro Tempore Sellers' suggestion to state retail stores. If it is to be left as wine tasting and arts & craft galleries, he recommended that they be listed as conditional uses to examine whether the uses are specialty enough to raise concerns.

Council Member Carr would support taking these two uses out and assume that they are listed as retail stores.

Council Member Tate stated that he supported grocery stores exceeding 15,000 but less than 50,000 square feet.

Action: *On a motion by Council Member Tate and seconded by Mayor Pro Tempore Sellers, the City Council unanimously (5-0) **Approved** the Mitigated Negative Declaration.*

Action: *On a motion by Council Member Tate and seconded by Mayor Pro Tempore Sellers, the City Council unanimously (5-0) **Adopted** the General Plan Amendment Resolution No. 5845.*

Action: *On a motion by Council Member Tate and seconded by Mayor Pro Tempore Sellers, the City Council unanimously (5-0) **Waived** the Reading in Full of Zoning Amendment Ordinance No. 1695, New Series, as modified in Exhibit "B."*

Action: *On a motion by Council Member Tate and seconded by Mayor Pro Tempore Sellers, the City Council **Introduced** Ordinance No. 1695, New Series by Title only as follows: **AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF MORGAN HILL AMENDING THE ZONING DESIGNATION FROM ML, LIGHT INDUSTRIAL TO PLANNED UNIT DEVELOPMENT FOR A 7.72-ACRE PARCEL LOCATED AT THE NORTHWEST CORNER OF COCHRANE ROAD AND MADRONE PARKWAY IN THE MADRONE BUSINESS PARK (APN 726-33-028) (ZA-04-11: COCHRANE - TBI), incorporating the revised/amended Exhibit "B" by the following***

roll call vote: AYES: Carr, Chang, Kennedy, Sellers, Tate; NOES: None; ABSTAIN: None; ABSENT: None.

17. GENERAL PLAN AMENDMENT, GPA-04-03; ZONING AMENDMENT, ZA-04-09; BUTTERFIELD-SOUTH VALLEY DEVELOPERS – *Ordinance No. 1696, New Series & Resolution No. 5846*

Planning Manager Rowe presented the staff report, a request to amend the land use designation from industrial to multi family, medium density. He informed the Council that staff and the Planning Commission finds that the proposed amendment would be compatible with the surrounding uses. He indicated that the negative declaration includes mitigations for traffic impacts associated with build out of the project. He said that the initial concept, which was the basis of the traffic study, included a mixed use area with approximately 18,000+ square feet of retail use. He stated that staff had concerns about the potential for cut through traffic occurring to bypass the traffic signal at Monterey Road or Butterfield Boulevard. The applicant agreed to come up with a concept that would use the opposite centerline from Cochrane Circle as the main entrance point. The new site layout eliminates the cut through potential and incorporates the open space areas to a more centralized location in the development. He indicated that a driveway will connect through to the Cochrane Village Apartment development which will allow for the elimination of another driveway. This will allow traffic to access the development via the signalized intersection. Based on the revised site layout, two traffic mitigation measures found on page 235 of the agenda packet, TC5 and TC6, can be eliminated from the mitigated Negative Declaration. He noted that a supplemental letter dated September 13, 2004 from Higgins & Associates was distributed to the Council, where they analyzed this new plan. Because of the elimination of the retail use in the mixed use portion, there is a significant reduction in traffic volumes.

Mayor Pro Tempore Sellers stated that he appreciated the change that was made as it is a positive one. He inquired where the natural flow of traffic will be.

Planning Manager Rowe said that there is a circulation aisle that goes around the outer perimeter and a central one that goes through the project. He addressed the traffic patterns for the proposed land use indicating that Butterfield, north of Cochrane will be used. He stated that the housing units will be a combination of for sale and for rent. He said that the new layout decreases the unit count by 2 units.

Council Member Carr said that it was difficult to compare the two plans as one of the plans is a nice colored rendering. He said that in the black and white plan it appears to have more blacktop/concrete and massive parking lots.

Mayor Kennedy opened the public hearing.

Scott Schilling stated that the Council has two site plans before it this evening, indicating that he only meant for the Council to see one. He said that with the original zoning and general plan amendment applications he was required to submit conceptual plans showing possible unit layouts. Both plans before the Council show significant changes from the initial conceptual layout from the ones submitted in order to prepare for a Measure C application submittal. He felt that all of the changes to the layout are

improvements from the original layout, including the amount of usable open space located in the central portion of the project. He stated that he is excited about the opportunity to create a housing product that is affordable. He informed the Council that the current goal is to produce a “for sale” product consisting of a multi family condominium and patio townhomes. He noted that the proposed residential product is located by an existing multi family neighborhood. Development will afford integration between the two projects. He indicated that there is a safety issue associated with the Cochrane Village Apartments with their current in and out access because both driveways coming in and out of this project are right in and right out only. He is working with EAH, indicating that they are willing to eliminate the driveway if he can provide an access into both projects. He said that it is proposed to have a nice integration between the two multi-family projects. He will be matching the Cochrane Village Apartments’ craftsman style architecture. Therefore, the entire area will appear to have been master planned.

Mayor Kennedy indicated that he was not fond of the existing craftsman style architecture as it does not have a good appearance.

Mr. Schilling indicated that the project will be reviewed by the Architectural Review Board and that they will make sure that it is a top notched designed project. The ability to master plan the 15 acres will present an upscale feel and give the ability to make a gateway statement at the Cochrane/Monterey intersection. He stated that he is working on the intersection per the City’s recommended guidelines for gateway architecture. The project proposes patio townhome units, extensive landscape buffers and attractive front elevations along the project’s street frontage. He indicated that the site layout is still undergoing changes but that it would be similar to what will be submitted under Measure C in the future. He stated that he has met with the Valley Transportation Authority on the proposed bus stop location and that they have indicated that they would like to see this location fully improved with a bus shelter. He indicated that VTA has agreed to take over the maintenance of the bus stop. VTA has asked that he look into installing a fully improved stop on the north side of Cochrane if the right of way can be obtained.

Mayor Pro Tempore Sellers stated that he appreciates the fact that the garages will not be facing the street frontage. However, it is hard to discern whether a sidewalk is proposed on Cochrane Road.

Mr. Schilling indicated that sidewalks will be installed throughout the entire perimeter of the project and that pathways will tie into the City sidewalks to the exterior of the project.

Mayor Pro Tempore Sellers noted that the frontage on Jarvis will be facing a business park. He expressed concern that residents may complain that industrial buildings are being built across the street.

Mr. Schilling stated that multi family uses are more compatible with light industrial uses, especially if you have a street between the two uses. He said that the business park PUD has significant front setbacks. Therefore, there will be a great separation between the two uses.

Mayor Kennedy indicated that at the Architectural Review Handbook workshop, the Council discussed not using monolithic poured sidewalks but rather to have a landscaped parking strip, moving the sidewalks away from curbs. He felt that this would be important to the project.

Mr. Schilling informed the Council that he proposes to install the sidewalks per City standards which would require a five-foot landscape planter before you get to the sidewalk. This would result in 30 foot setback from the back of sidewalk. You have to have an additional 10 feet in front of the sidewalk to the actual street. This gives you a nice distance from building to the street.

Council Member Chang indicated that when the Council discussed the Architectural Review Handbook, the Council discussed commercial uses, noting that a residential use is proposed. If individuals reside too close the street, she felt that it would be noisy for them.

Mayor Kennedy noted that the buildings are proposed 40-feet from the curb.

Mr. Schilling indicated that staff expressed a similar concern, and therefore, included a condition in the mitigated negative declaration that a sound study be required as part of the subdivision approval process. This would ensure that the interior and exterior noise levels in the park area meet the City's noise standards. He stated that having the park areas more interior to the project will help reduce the noise levels for those residents using the park area. If there is a noise issue, he may be required to use higher rated windows or sound insulation boards or other methods to make sure that the interior noise levels meet requirements. It was his belief that Sobrato High School, Martin Murphy Middle School and Burnett Elementary schools would service this area.

Darryl Fry, business owner, spoke in support of the project. He stated that he owns a mortgage banking firm that moved to Morgan Hill four years ago. He came to town with approximately 55 employees and that he currently has over 100 employees. He said that he is a growing business and that he is concerned about the housing stock in proximity to his business. He felt that it is a wise decision to bring housing into an area where there is a high employment density. He stated that he is having difficulty bringing talented skilled individuals from out of state into Morgan Hill because of the lack and cost of housing stock. He said that with a higher density project, you have lower costs and provide housing units for entry level individuals who come into the community. He felt that an R-3 project is compatible on this corner as this type of housing stock is needed, especially for those working in the area. He felt that the zone change is compatible with the business park. The idea of being able to have a housing project in close proximity to his business is very favorable to him. As a growing business, there is a great need for the lowest cost housing in Morgan Hill. As he drives around, it seems that there are tons of commercial and industrial buildings and space available in Morgan Hill. Therefore, he felt that the conversion of 16 acres into single family residential is an appropriate decision.

Julie Driscoll said that many times companies perform market studies on population and residential densities. They proportion this to how successful their businesses may be in a given area. She was pleased that other businesses are being considered on Cochrane Road and other areas in Morgan Hill. However, she felt that the City needs residences and a denser population to support those businesses; otherwise, they will not be successful on a long term basis.

Mayor Pro Tempore Sellers said that there is a bit of history with this project and that significant controversy surrounded the initial decision to place housing in this location. He noted that Ms. Driscoll

stated it was a desire to provide an opportunity to support residential housing for the City's workforce. He said that the residential project that exists today is an island. They do not have services or access to services from this location. Given this fact, the gateway nature of the project and the developments that are occurring on Cochrane Road, he was comfortable with proceeding with the request for approval this evening.

No further comments being offered, the public hearing was closed.

Action: *On a motion by Mayor Pro Tempore Sellers, and seconded by Council Member Carr, the City Council unanimously (5-0) **Approved** the Mitigated Negative Declaration, deleting mitigation measures TC5 and TC6.*

Action: *On a motion by Mayor Pro Tempore Sellers and seconded by Council Member Carr, the City Council unanimously (5-0) **Adopted** the General Plan Amendment Resolution No. 5846.*

Action: *On a motion by Mayor Pro Tempore Sellers and seconded by Council Member Carr, the City Council unanimously (5-0) **Waived** the Reading in Full of Zoning Amendment Ordinance No. 1696, New Series.*

Action: *On a motion by Mayor Pro Tempore Sellers and seconded by Council Member Carr, the City Council **Introduced** Ordinance No. 1696, New Series, by Title only, as follows: **AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF MORGAN HILL AMENDING THE ZONING DESIGNATION FROM PUD, RESEARCH AND DEVELOPMENT/MANUFACTURING TO PUD, R3 MEDIUM DENSITY RESIDENTIAL FOR TWO PARCELS TOTALING 15.78 ACRES IN SIZE, LOCATED AT THE SOUTHEAST CORNER OF COCHRANE ROAD AND MONTEREY ROAD IN THE MORGAN HILL RANCH BUSINESS PARK (APNs 726-25-076 & -077) (ZA-04-09: BUTTERFIELD–SOUTH VALLEY DEVELOPERS)** by the following roll call vote: AYES: Carr, Chang, Kennedy, Sellers, Tate; NOES: None; ABSTAIN: None; ABSENT: None.*

Mayor Kennedy congratulated South Valley Developers for a very well done project as it will fill a need and will correct the problem with a housing development that sits as an island. He felt that this project will make this area a nice residential neighborhood and a part of the community.

18. ZONING AMENDMENT APPLICATION, ZA-04-02: COCHRANE-ASSISTED LIVING CENTER – Ordinance No. 1697, New Series

Planning Manager Rowe presented the staff report, informing the Council that it received a revised design standard matrix dated September 15, 2004 this evening. He stated that the Council will be approving the architectural guidelines and the development standards as required under a PUD zoning district. He informed the Council that the Planning Commission reviewed the request last night and voted 5-0 to recommend Council approval of the zoning application, amending the maximum building

height to 35-feet. The Council also received copies of the landscape guidelines which were missing from the material submitted to the Council.

Mayor Kennedy opened the public hearing.

Ricardo de la Cruz, applicant, indicated that he would answer any questions that the Council may have. He informed the Council that he was impressed with the planning staff as they have been helpful throughout the year. He stated that he is continuing to have success with the O'Conner group and that it is his hope to break ground in early 2005 if everything remains on schedule.

No further comments being offered, the public hearing was closed.

Action: *On a motion by Council Member Tate and seconded by Council Member Carr, the City Council unanimously (5-0) **Waived** the Reading in Full of Ordinance No. 1697, New Series*

Action: *On a motion by Council Member Tate and seconded by Council Member Carr, the City Council **Introduced** Ordinance No. 1697, New Series, by Title only as follows: **AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF MORGAN HILL APPROVING A SET OF DEVELOPMENT STANDARDS AND ARCHITECTURAL GUIDELINES FOR THE DE PAUL (FORMERLY SAINT LOUISE) HEALTH CENTER (APNs 728-031-005, 006, 012 & 013) by the following roll call vote: AYES: Carr, Chang, Kennedy, Sellers, Tate; NOES: None; ABSTAIN: None; ABSENT: None.***

City Council Action

OTHER BUSINESS:

19. URBAN LIMIT LINE STUDY STATUS REPORT.

Planning Consultant David Bischoff presented the staff report, indicating that the purpose of this item is two-fold: 1) to update the Council on the status of the Urban Limit Line (ULL) Committee's work to date; and 2) to provide the Council with an opportunity to provide feedback to this committee regarding the direction the project has taken to date. He indicated that staff is looking for Council comments as to whether or not the overall direction that this committee is taking is appropriate. If not, the Committee would like to know this fact. If the Committee is not heading in the right direction, they need to make a course direction. Should the Committee be in the right course of direction, the Committee will be developing principals and priorities for acquisition of select properties, reviewing the recommendations of the subcommittee for the southeast quadrant, and finalizing their overall recommendations. Once these items have been completed, staff will return to the Council in a workshop setting in December 2004 to fully brief the Council to the draft final recommendation of the Committee, receiving input from the Council before holding a community meeting. He summarized the actions taken by the Committee to date, noting that Mayor Kennedy and Council Member Chang have provided leadership in this effort.

Mr. Bischoff identified the areas to be included in the urban limit line and the greenbelt areas identified to date. He noted that the greenbelt is not proposed to form a boundary around the entire city. Regarding the southeast quadrant, the Committee appointed a five-member subcommittee to specifically come up with a framework for future planning of the area. He informed the Council that the vision created for this area is included as attachment 3 in the Council packet. He summarized that the vision does not propose the area to be a conventional greenbelt but a discrete area where no development would occur. It is being proposed that all lands within this area are to be included within the urban limit line. The transition from the developed areas to the north into San Martin would occur through a transition of urban density, with more density developed properties to the north, and less density developed properties to the south. In this area, there will be significant open space areas and that within this area, a general allocation of land uses would include a 200-acre industrial park. Also, being recommended is approximately 40+ acres around the interchange of Tennant and Highway 101 be reserved for future economic development opportunities. The subcommittee is recommending broad setbacks, trails, and large natural open areas in the open space consisting of approximately 375-500 acres. This would result in approximately 375-500 acres being placed into residential use. Within this residential area, approximately 2,000 residential units could be built. He informed the Council that the subcommittee had an economist working with them on this plan. It was the economist's belief that the plan being proposed is economically feasible and that the increased value that would be generated by incorporation/rezoning the properties could be sufficient to fund many of the public improvements that would need to occur. He stated that the subcommittee believes, as part of their recommendation that any improvements in this area that would serve the community, overall, should be paid by the community. Only those improvements that benefit the southeast quadrant would be paid for by the southeast quadrant property owners.

Mr. Bischoff stated that the subcommittee recommends that a process occur to achieve the vision: 1) an analysis of vacant industrial lands; 2) an area plan be prepared for the southeast quadrant that would identify the exact size of an industrial park and its location, looking at the residential densities and determining where higher/lower densities should be sited; and establishing/developing general policies for development in the area; and 3) develop a specific plan when development is eminent. The specific plan would provide details about development of the area as well as sharing of costs for the infrastructure and phasing of the annexation in development of the area. The subcommittee recommends that the studies for the area plan and the industrial analysis be funded by the City. He indicated that the full committee has not reviewed the work that the southeast quadrant subcommittee concluded approximately a week ago. He stated that staff is looking for comments from the Council on the overall direction being taken to date.

Mayor Kennedy felt that the Committee has made good progress, especially the subcommittee working on the southeast quadrant. It appears that the subcommittee has a plan and a process that should work for everyone. However, the full committee has not had the opportunity to weigh in on the plan itself. He noted that the urban limit line is drawn around approximately 80% of the city. The committee has established principals and policy statements on how this can be implemented on a map. He felt that the process is working and that the Committee is coming close to the end.

Council Member Chang referred to principal 19 that address low intensity public facilities. She inquired how one would define low intensity public facilities.

Mr. Bischoff indicated that at the meeting of the ULL Committee held on Monday evening, the Committee combined the two items into one. He felt that the Committee was addressing having such things as parks but that he did not believe that they would support an aquatics center. In terms of a low intensity public facility, he felt that the intent of a passive park was having ball fields without bleachers, lighting or restroom facilities.

Mayor Kennedy opened the floor to public comment.

Gordon Jacoby stated that Mr. Bischoff indicated that as part of the ongoing work, a study be conducted on vacant industrial land. He distributed a study he prepared on vacant industrial land and noted that the general plan, as part of the greenbelt study, called for a look at a business park on the east side of Tennant Avenue. He indicated that the committee, as well as the subcommittee, has looked at this but felt that it stopped short of making any decisions on an exact location for an industrial park and what it might look like. He said that the committee felt that there is an adequate amount of land within the City for business development because there were approximately 360 acres of industrially zoned land. While technically correct, he did not believe that this was correct from a market stand point. He noted that the table he presented shows approximately 76 industrial parcels. Of these parcels, most are in the Cochrane area. He said that there would have been approximately 160 acres of high quality vacant land south of the CDF fire station with good access. He stated that the remaining 200 acres are scattered in a way that makes them unattractive. In some cases, they are spread on either side of the railroad, between Dunne and Tennant Avenues. He said that he did not know that there were approximately 50-60 acres of industrially zoned land south of the CDF fire station between Monterey Road and the railroad tracks. He indicated that the reason that these areas remain vacant is due to the fact that the market is by passing them. They have not been viewed as attractive parcels. He felt that the City has 160 acres of industrial zoned land. He said that between 1997 and 2001, the City used 240 acres of industrially zoned land. He felt that the City is being underserved and that if the market picks up, the City will be out of prime industrial locations. He stated that the general plan identified some sites for industrial development; one on the east side of the City around Main Avenue, and one south of Tennant Avenue. He felt that these sites were unworkable, particularly the one behind Tennant Avenue. He said that there are approximately 28 parcels, half of which have homes on them with one of the 1-1.5 acre homes selling for \$800,000. He did not believe that anyone would want to buy land in this area because the price is higher than what industrial land is selling for.

Mayor Kennedy said that statements have been made that the City has over 70 million square feet of vacant industrial building space available in Santa Clara County and inquired why there is a need for more.

Mr. Jacoby indicated that last year alone, 15 million square feet was absorbed in new leases. While this is a large number, it is low compared to any other year. Therefore, it was his belief that vacant land is low. He agreed that there is an ample supply of industrial land. However, he states that you need to understand that the dynamics of Silicon Valley can absorb the vacant industrial building space in a 3-5

year period. He also felt that the City needs to think about what the competition is doing. He stated that San Jose has 9 million square feet of vacant industrial buildings at this time. However, they are trying to get ahead of the curve as it takes 5-7 years to build a business park. You have to look out quite a ways because of regulatory requirements and accumulate land in order to install the infrastructure. He noted that Coyote Valley is installing an interchange. Gilroy has adopted a 600-acre industrial park and is in a position to move toward the next cycle. He felt that there was a need to move forward for the planning of a business park and that it will work well if done as part of the area plan; recognizing that getting to the area plan is a 3-year process. Adding a specific plan, subdivision work and financing of the improvements would result in up to a decade away from having a new business park. He recommended that the Council give direction that this needs to be accelerated as part of the area plan in order to recognize the competition from the north and the south of Morgan Hill. He further suggested that the Council give a sense of where the business park should be as the southeast quadrant is already subdivided and that individuals will start to make decision over the next 2-3 years. He said that once a house is built on a lot, the economics goes crazy and so will future opposition.

Julia Driscoll addressed the southeast quadrant, indicating that many parcels in this area are prime parcels. These parcels have easy access to the freeway and are adjacent to the Institute of Mathematics and the aquatics center is nearby. These parcels are considered to be easily developable because they are flat land. She noted that the utility lines are not located far away. She finds it objectionable that property owners should be barring some of the costs for whatever is developed. She felt that land is a prime commodity in the supply and demand principal and that the property owners should be in the driver's seat. She did not believe that the property owners should be incurring costs for development. She felt that development should come to property owners and that the property owners should be compensated fairly, adequately and handsomely for what the properties are worth.

Art Fuliaffico, member of the full ULL committee, felt that there was one fatal flaw in the idea of waiting for a specific plan; that is Measure C. When the area is ready for development, it will be imminent that a specific plan be derived. He said that it will be 20-30 years before development is allowed to occur because Measure C prohibits this area from being annexed into the City until there is 5% or less supply of available housing. He noted that commercial and industrial park development is not prohibited by Measure P from being annexed into the City. He said that property owners are overwhelmed with giving up and making concessions for possible commercial/industrial development and waiting for housing development 20-30 years down the road. He noted that it is being requested that a vast amount of open space be given as a concession. He said that most property owners do not understand why they should be giving up half of their lands or 500 acres of projected open space for something that will not happen for 20-30 years. He felt that what you will see is 10 acre ranchetts developing versus waiting 20-30 years to develop lands.

Joe Mueller stated that this was an opportunity for Morgan Hill, landowners, and those individuals interested in development to work together and plan the largest open area in the City of Morgan Hill. He felt that the City has one shot to plan open space right and develop something that will be an asset/benefit to everyone. This is why the subcommittee and full committee have been looking at going through an area plan and then a specific plan. He felt that the City would lose the opportunity to conduct an integrated, well designed section of the community if allowed to be piecemealed over time. He felt

that this will be a huge asset for Morgan Hill when it comes into the community. Being discussed is distributing open space throughout the community so that it maintains what Morgan Hill should feel like. He said that the industrial concerns raised by Mr. Jacoby and the timing are more complex than alluded. He stated that the nature of work is changing and that the nature of business parks in the future may not be that of multiple hundreds of acre. It may be that you need 100 acres integrated in one area. You may need 40-60 acres integrated around commercial and residential development. He felt that the new generation of workers are knowledgeable workers and not factory workers. The study being recommended is more complex than just looking at an inventory of land. The study will be looking at the nature of work as we move forward in this timeframe and how Morgan Hill will have to compete with what will take place in the future. He stated that the industrial land to the north will be going through a tremendous change as it evolves. He felt that it was critical to start the study and move forward as rapidly as possible because the City needs to evaluate some of the less desirable areas. The City needs to be clear in its vision of what the industrial land is to be, as well as its location. He noted that the newest industrial building being built and occupied is located next to one of the areas Mr. Jacoby suggested is not desirable, south of Tennant Avenue.

Richard Place indicated that he was representing some of the land owners who have held a few meetings to discuss the concept of the industrial space. He stated that he sees the value of creating a large parcel for industrial development because it creates an economic situation where a larger company may seek a piece of land that has not been previously developed. He said that undeveloped land would be less expensive to purchase, design and develop. He did not believe that the City has a large parcel of land available in its inventory. He stated that he likes the idea of long term planning and conceptualization. However, there is a situation in the area where there are a number of landowners, some with ethnic backgrounds who have a certain mistrust of government. He felt that it was important to reassure these landowners in the process. This can be done in written form, commitment and contracts with the citizens of Morgan Hill. He did not believe that the process is impossible. He inquired whether landowners could be brought into Measure C, economically in 2020. He felt that if the citizens of Morgan Hill want to proceed, they need to make a commitment. He felt that this would require an analysis and understanding on the part of property owners in this area.

No further comments were offered.

Council Member Chang inquired as to the cost per acre of industrial land to the north versus the cost in Morgan Hill.

Mr. Jacoby indicated that in the height of industrial development, the cost of developed land was \$11 per foot in Morgan Hill in 2000. He stated that the smaller buildings being built in Morgan Hill Ranch are receiving a greater value than the \$11 per foot. Developed industrial areas in Sunnyvale or Santa Clara at that time could have gone as high as \$18 per foot for comparable uses, in some cases. He said that Morgan Hill has been successful in competing because it could sell for \$3-\$4 below for comparable buildings to the north. In south San Jose, the cost was \$2 below. He indicated that businesses were able to relocate to Morgan Hill from the north because they could purchase a brand new building for a cheaper price. He felt that the trend to being able to purchase a brand new building at a lower price continues in Morgan Hill.

Mayor Pro Tempore Sellers stated that he appreciated the fact that staff is checking in with the Council. He said that it was helpful to hear the process that is being undertaken as the majority of the Council does not sit on the committee. Overall, he stated that he was comfortable with the direction the committee is heading. He appreciated the comments expressed by individuals this evening. He said that the solution to the concerns of Measure C is good planning overall. He recommended that the concepts be incorporated and that answers to the questions relating to Measure C be provided. He felt that the comments regarding industrial lands are speculative at this time. He agreed that there are differences in looking at how industrial lands are being absorbed and where the City wants to go with industrial development. He felt that the City needs to plan for the next generation in terms of industrial planning. He supported continuing to have valuable land preserved for open space. He said that it was prohibitively expensive to preserve land that is currently in agricultural use. If the City is going to incorporate these areas, the City needs to look at retaining open space and parks; paying for these amenities as a community in such a way that maximizes the value to the community. He stated that he wants to know the costs of the plans in order to determine whether they were ones that the City should pay for. If so, the City needs to determine how the studies will be paid for.

Council Member Carr stated that he was concerned about the costs. He said that each additional step will cost the City something and recommended that the Council take a look at the costs. He noted that staff discussed the infrastructure improvements at the southeast quadrant and that if they are regional improvements, they need to be paid for regionally. If they are local improvements, these should be paid locally. He felt that the City needs to better define regional improvements and how they will be paid for. It was his hope that when the study looks at vacant industrial lands that the study includes opportunity sites as well as the sites that are no longer good sites for industrial. He felt that there may be great residential opportunity sites that are currently zoned industrial that the City can be looking at.

Mayor Kennedy stated that the planning for the southeast quadrant is not unlike the planning that is being done for Coyote Valley. This will be a long range master plan. He felt that the City may want to consider triggers for this area. He said that at the last meeting of the ULL committee, the committee spent a lot of time talking about greenbelts/green spaces to be preserved. He noted the City has been building up its funds for open space acquisition and that this fund is close to \$900,000. He indicated that one of the issues that the committee will be wrestling with is how to prioritize the acquisition of open space/open space easements. He noted that there are spaces on El Toro that are designated as greenbelt that are privately owned. This is a landmark in the community that it is a high priority for the community. He inquired whether the City should earmark money for the preservation of El Toro or Mount Hill, the east/west foothills. He indicated that these are issues that the committee is wrestling with and that it will be looking at how to prioritize the expenditures of funds; leveraging the funds with the Open Space Authority or other grant organizations.

Action: *No action taken.*

FUTURE COUNCIL-INITIATED AGENDA ITEMS

No items were identified.

RECONVENE TO CLOSED SESSION

Mayor/Chairman Kennedy announced that the Council/Agency Board would reconvene to closed session to conclude its discussion of the above listed closed session items.

Mayor/Chairman Kennedy opened the closed session items to public comment. No comments were offered

Mayor/Chairman Kennedy adjourned the meeting to Closed Session at 9:43 p.m.

RECONVENE

Mayor/Chairman Kennedy reconvened the meeting at 10:14 p.m.

CLOSED SESSION ANNOUNCEMENT

Mayor/Chairman Kennedy announced that no reportable action was taken in closed session.

ADJOURNMENT

There being no further business, Mayor/Chairman Kennedy adjourned the meeting at 10:15 p.m.

MINUTES RECORDED AND PREPARED BY:

IRMA TORREZ, CITY CLERK/AGENCY SECRETARY